



TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: October 16, 2014

Monthly Medicaid Forecast – September 2014

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the Legislative Services Agency (LSA) met on October 10, 2014, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2015 and FY 2016. The forecasting group meets regularly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Actual</i> <u>FY 2014</u>	<i>Estimated</i> <u>FY 2015</u>	<i>Estimated</i> <u>FY 2016</u>
Medicaid Funding			
Carryforward from Previous Year	\$ 10,030,023	\$ 0	\$ 0
MH Risk Pool Carryforward	1,839,294	0	0
Palo Tax	1,004,356	1,379,442	1,216,383
Health Care Trust Fund	225,591,447	221,790,000	221,790,000
Nursing Facility Quality Assurance Fund	28,788,917	29,195,653	29,195,653
Hospital Trust Fund	34,253,871	34,700,000	34,700,000
hawk-i Performance Bonus	10,857,652	177,017	0
Medicaid Fraud Fund	8,717,020	2,422,695	0
Appropriation Transfers	15,314,423	0	0
Magellan Revenue	8,700,000	0	0
Total Non-General Fund for Medicaid	\$ 345,097,003	\$ 289,664,807	\$ 286,902,036
General Fund Appropriation	\$ 1,135,293,332	\$ 1,250,658,393	\$ 1,250,658,393
Total Medicaid Funding	\$ 1,480,390,335	\$ 1,540,323,200	\$ 1,537,560,429
Total Estimated State Medicaid Need			
FMAP Changes	\$ 1,434,393,209	\$ 1,542,813,992	\$ 1,640,654,995
Changes Related to ACA	52,556,122	79,120,038	56,105,434
Eliminate IowaCare Transfer	748,199	-10,686,254	0
Eliminate IowaCare Transfer	0	-11,921,225	0
Cost Reductions (BIP, STD Assessment)	-4,000,000	0	0
Health Home Savings	0	-9,135,935	0
Balancing Incentive Program	-1,049,597	-1,108,354	0
Cost Containment	-28,910,009	0	0
County Billing Write-offs	-955,235	0	0
Nursing Facility Rebase	15,268,148	1,250,000	32,500,000
Home Health Rebase	2,765,655	0	3,900,000
Hospital Rebase	0	0	5,400,000
Hospital Inpatient Psych Cost-Based Adj.	0	0	1,000,000
HCBS Waiver Increase	9,308,335	6,000,000	0
Miller Trust 125.0% of Statewide Average	0	252,000	0
All Other Provider Increases	4,765,508	238,938	0
Transfers not made in FY 2014	-4,500,000	4,500,000	0
Total Estimated Medicaid Need	\$ 1,480,390,335	\$ 1,601,323,200	\$ 1,739,560,429
Midpoint of Balance/(Under Funded)	\$ 0	\$ -61,000,000	\$ -202,000,000
<small>BIP - Balancing Incentive Payment Program HCBS - Home and Community-Based Services FMAP - Federal Medical Assistance Percentage ACA - Affordable Care Act</small>			

FY 2014 Final. State Medicaid expenditures totaled \$1.48 billion for FY 2014. There was no supplemental appropriation provided and this required the DHS, the DOM, and the Governor's Office transfer funding to cover the FY 2014 Medicaid shortfall. In total, there were just over \$31.3 million in transfers and other revenue changes that helped to cover the shortfall and \$1.0 million transferred to the State Children's Health Insurance Program to cover a shortfall. The changes include:

- \$16.3 million transferred from the following DHS budget units, including \$1.0 million transferred to the State Children's Health Insurance Program to cover a shortfall in that Program:
 - \$950,000 from General Administration.
 - \$3,585,337 from Field Operations.
 - \$4,231,708 from Toledo Juvenile Home.
 - \$500,000 from Clarinda Mental Health Institute.
 - \$256,761 from the State Resource Centers.
 - \$2,742,000 from State Supplementary Assistance.
 - \$1,988,000 from Medical Contracts.
 - \$645,000 from Adoption Subsidies.
 - \$1,409,000 from Child and Family Services.
- \$8.7 million in Magellan refund revenues.
- \$4.5 million the DHS elected not to transfer to other DHS budget units from Medicaid.
- \$2.8 million in additional revenue from the Health Care Trust Fund.

FY 2015 Range. For FY 2015, the group agreed Medicaid will have a need of \$41.0 million to \$81.0 million, with a midpoint need of \$61.0 million. The range includes the following savings and expenditures enacted in [HF 2463 \(FY 2015 Health and Human Services Appropriations Act\)](#):

- An increase of \$79.1 million to replace federal funds due to a reduction in the Federal Medical Assistance Percentage (FMAP) rate.
- An increase of \$25.6 million to replace one-time funding sources and other revenue changes from FY 2014.
- An increase of \$6.0 million to reduce the Home and Community-Based Services waiver waiting list.
- An increase of \$3.1 million to fund the higher pharmacy dispensing fee survey.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- An increase of \$1.4 million to provide coverage to foster children up to the age of 26, as required by the Affordable Care Act.
- An increase of \$1.3 million to rebase the nursing facility reimbursement rates.
- An increase of \$252,000 to increase eligibility for the Miller Trust to 125.0% of the statewide average.
- An increase of \$239,000 to provide a 10.0% increase for ambulance reimbursement rates.
- A decrease of \$1.1 million due to savings from the Balancing Incentive Payment Program.
- A decrease of \$9.1 million due to savings from the implementation of health homes for both children and adults.
- A decrease of \$11.9 million due to the elimination of the transfer to the IowaCare Program that ends during FY 2014.

- A decrease of \$16.3 million due to shifting Medicaid for Employed Persons with Disabilities (MEPD), Dependent Persons, and Pregnant Women to other coverage.

FY 2016 Range. For FY 2016, the group agreed Medicaid will have a need of \$172.0 million to \$232.0 million, with a midpoint need of \$202.0 million. The range includes the full cost of rebasing nursing facilities, hospitals, and home health services, all of which the General Assembly may choose to rebase at a lower level.

- An increase of \$61.0 million to fund the projected shortfall in FY 2015.
- An increase of \$56.1 million to replace federal funds due to a reduction in the FMAP rate. The FMAP adjustment includes a \$34.4 million increase due to a reduction of the regular FMAP, a \$15.1 million dollar increase due to the reduction of the Balancing Incentive Payment (BIP) Program enhanced FMAP rate, and a \$6.6 million increase due to a reduction of Health Home enhanced FMAP rate.
- An increase of \$32.5 million to rebase nursing facilities.
- An increase of \$5.4 million to fund the hospital rebase.
- An increase of \$3.4 million to fund the home health services Lower Upper Payment Limit (LUPA) adjustment.
- An increase of \$1.0 million to fund the hospital inpatient psychiatric cost-based adjustment.
- An increase of \$2.5 million to increase primary care physician rates.
- An increase of \$2.0 million for the cost of Hepatitis C drugs.
- A decrease of \$5.0 million due to savings from the implementation of health homes for both children and adults.

New Hepatitis C Drug. There are several new Hepatitis C drugs on the market or coming to market. The most prominent drug currently available, Solvaldi, is highly effective at treating Hepatitis C, but very costly, with treatment costing a minimum of \$84,000 per individual over the course of the treatment. The Medicaid Program is treating this new drug as they would any other new drug that is available and it is anticipated to add significant cost increases to the Program over the next few years. For FY 2015 and FY 2016, the forecasting group has included an additional \$2.0 million each year in State expenditures to cover expenditure increases for these drugs.

Medicaid Enrollment. For FY 2014, enrollment grew by 1.6% adding 6,279 individuals, for a total enrollment of 408,356. In the first three months of FY 2015, Medicaid enrollment declined by 2,737 individuals, for a total Program enrollment of 405,619 individuals.

Medicaid Enrollment Increases/(Decreases) for FY 2015					
<u>FY 2015</u>	<u>Children</u>	<u>Adults</u>	<u>Aged</u>	<u>Disabled</u>	<u>Total</u>
July	-2,482	-886	-6	-82	-3,456
August	-1,459	-479	12	-1	-1,928
September	2,030	408	109	99	2,646
Total FY 2015	-1,911	-957	115	16	-2,737
Grand Total	<u>231,041</u>	<u>63,719</u>	<u>31,151</u>	<u>79,708</u>	<u>405,619</u>

Iowa Health and Wellness Program (I-HAWP) Enrollment. The new I-HAWP Program began on January 1, 2014. The Program is paid for with 100.0% federal dollars for the first three years. The enrollment through the first fiscal year (FY 2014) was 110,533, with 86,270 of those individuals enrolled in the Wellness Plan. For the first three months of FY 2015, enrollment has increased by 4,740.

I-HAWP Enrollment Increases/(Decreases) for FY 2015				
FY 2015	Marketplace		Presumptive	Total
	Choice Plan	Wellness Plan	Eligible	
July	721	-88	135	768
August	802	364	132	1,298
September	1,206	1,343	125	2,674
Total FY 2015	2,729	1,619	392	4,740
Grand Total	26,533	87,889	851	115,273

FY 2016 FMAP. The Bureau of Economic Analysis released their final state personal per capita income data for 2013 on September 30, 2014. This allowed states to calculate their final FY 2016 FMAP rates. The FY 2016 FMAP rates are based on per capita personal incomes for calendar years 2011-2013. Iowa's FY 2016 FMAP rate declined significantly dropping by 1.07% to 55.07%. The FMAP decrease also indicates that Iowa's economy is doing better compared to other states, resulting in a smaller share of the total FMAP pie for Iowa. Iowa's FMAP rate has declined 7.8% since FY 2012 and this shift means several hundred million dollars of Medicaid expenditures are shifted from the federal funding to state funding.

Ten Year State Regular Medicaid FMAP			
Fiscal Year	State Federal Share	State Share	Federal % Change
FY 2007	62.39%	37.61%	-1.21%
FY 2008	61.79%	38.21%	-0.59%
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%
FY 2014	58.35%	41.65%	-1.53%
FY 2015	56.14%	43.86%	-2.21%
FY 2016	55.07%	44.93%	-1.07%